

Program Self-Assessment Booklet 7

Management Systems: Fiscal Management

Core Question to be answered by the Self-Assessment team:

How effective is the fiscal management system in supporting the implementation of quality services to children and families?

Purpose:

Fiscal Management means having a system of administering resources including funds, property and equipment. A fiscal management system is necessary to ensure that limited resources, allocated carefully and accountably, support the program's delivery of quality services.

This booklet will help you to assess if the program meets Federal *Performance Standards* relating to fiscal management, budgeting, and expenditures. Related *Performance Standards* include: 1301.10-1301.13, Subpart B; 1301.20-1301.21, Subpart C; 1301.32-1301.33; 1304.20(c)(5); 1304.23(b)(1)(i); 1304.50(f); 1304.50(g)(2); 1304.51(h)(1)-1304.51(h)(2); 1304.52(d)(8); 1305.9; 1308.4(m)-1308.4(o); 1310.23(b); Part 74, Subpart C; Part 92, Subpart C; OMB Circular A-21; OMB Circular A-87; OMB Circular A-110; OMB Circular A-122; OMB Circular A-133.

As you conduct your assessment of the program's fiscal management systems, pay close attention to:

- How Federal regulations regarding fiscal management are met
- How the budget is developed and approved
- How expenditures are monitored
- What fiscal reports are produced and how they are used
- How the grantee maintains accountability
- How investment choices are made

Given the increased emphasis on fiscal management and oversight, the official *PRISM* Fiscal Checklist has been included in this booklet. It will provide you with a useful tool to ensure that the program is meeting its fiscal oversight and management responsibilities.

Helpful tools to support data collection in this area follow.

Interview:

The Self-Assessment team member should interview the program’s fiscal officer and Head Start director. Use the questions below to assist you with the interview:

Describe the fiscal system and how the management team and the fiscal officers work together to support the delivery of Head Start services. How do they interact during the year to support the Head Start program?

How is the budget developed and approved? Describe the involvement of the governing body and Policy Council. Are there written procedures describing this process? Is there a timeline?

How are expenditures monitored? What reports are produced and how are they used? (Find out who receives regular financial reports, how often, and how the budget is compared to actual expenditures.)

Has the program conducted a cost analysis of providing transportation services? If so, does your cost analysis reflect the true cost of providing transportation services? Do the results suggest any changes to these services?

Review:

Review salary information for the grantee’s executive and staff positions. Are salaries in general and teacher salaries in particular, sufficient to recruit and retain qualified staff? Is the level of compensation consistent with the mission and goals of an anti-poverty agency and reasonable by community standards?

Use your interview with the director and chief financial officer to obtain copies of documents and other information to complete the attached fiscal checklist.

Fiscal Checklist

Instructions for completing the Fiscal Checklist:

This checklist is designed to assist you in monitoring the fiscal health of the grantee and any delegate agencies (as applicable). The checklist is divided into three sections (with all questions receiving either a “Yes” or “No” answer). The answers to the questions in the first two sections will help you, in the third section, assess fiscal health in each of two major areas:

1. **Internal Controls [45 CFR Parts 74.21(b)(3), 92.20(b)(3)]; and**
2. **Governance [45 CFR Part 1304.50(g)(2)].**

These two major areas receive substantial emphasis because, together, effective internal controls and governance help grantees ensure successful and efficient operations of their own programs (and those of their delegates), reliable financial reporting, and compliance with applicable laws and regulations.

The first section of this checklist (Section I) includes 24 questions that serve as indicators (i.e., “flags”) designed to help identify underlying fiscal problems. Circle “Y” (yes) or “N” (no) when answering each question. Responses with flags immediately below them might indicate an underlying fiscal problem. (For several of the questions, one or more follow-up questions appear that are related to the main question. Answer these questions as directed.) After completing the first section, refer back to the questions with “flag” responses to gain a preliminary sense of the fiscal health of the grantee (and/or its delegates) and to identify areas that may need additional attention.

The second section of this checklist (Section II) includes 28 questions that directly assess compliance with specific program requirements (i.e., each question contains citations to the regulation(s) and/or Office of Management and Budget (OMB) Circulars that are applicable to the respective question). Circle “Y” (yes) or “N” (no) when answering each question. (For several of the questions, one or more follow-up questions appear that are related to the main question. Answer these questions as directed.) If a flag appears under the response that you circled, and if the weight of the answers to the main and follow-up questions (if applicable) suggest the grantee/ delegate is not in compliance with the specified requirement(s), place a check in the box under the “Potential Area of Noncompliance” heading.

Toward the end of the fiscal review (i.e., after you have completed Sections I and II of the checklist, gathered all relevant information from document reviews and interviews, and followed up on all outstanding issues), turn your attention to the two major areas identified above (i.e., internal controls and governance). These items also appear in question form in Section III (page 20). For each of these items on page 20, place a check in the box under the heading “Potential Area of Noncompliance” if the weight of the evidence you have collected (including the answers to the questions in Sections I and II of the checklist) suggests that the grantee/ delegate is not in compliance with the specified requirement.

Under the “Documents Reviewed” column, list the evidence, in the form of documents, you gathered and reviewed to support your conclusion. Under the “People Interviewed” column, list the individuals you interviewed when answering the checklist questions, and in the “Additional Comments” column, write any additional remarks that pertain to the question.

In answering the questions on this checklist, some of the documents you might find useful to review include:

- current and prior financial statements from the audit report,
- most recent financial reports as delivered to the governing bodies,
- Policies and Procedures manual(s) covering fiscal operations (e.g., written accounting procedures and procurement procedures),
- detailed general ledger or accounts payable (AP) disbursements journal,
- monthly trial balances,
- bank reconciliations,
- administrative costs documentation,
- program budget planning documents (e.g., forms, memorandums, work papers, GABI, and grant proposals),
- chart of accounts,
- property inventory and files for recent major purchases,
- audit reports and the management letter that accompanies the audit report (including the most recent),
- current and prior year Financial Assistance Award (FAA),
- notice of grant award,
- indirect cost agreement and/or cost allocation plan,
- lease agreements,
- codes of conduct from personnel policies,
- organizational chart or list of staff and function of each staff person, including any vacancies,
- payroll journal and/or payroll service summary,
- most recent SF-269, with supporting documentation
- PMS-272 with supporting documentation from the past four quarters,
- insurance policies (e.g., liability, vehicles, child accident),
- interagency agreements,
- Non-Federal share documentation,
- Department of Agriculture (USDA) accounting records and source documents (e.g. meal counts, etc.),
- Vendor contracts,
- grantee charter document,
- delegate agencies and other partnership contracts as required.

**Please note that questions 12, 27, 40, and 50 apply to grantees only, and question 45 is only applicable to private non-profits.*

Fiscal Checklist

Section I		Documents Reviewed	People Interviewed	Additional Comments
1	<p>Y <input type="checkbox"/></p> <p>N <input type="checkbox"/></p> <p>Is the ratio of current assets to current liabilities less than 1 (i.e., are there insufficient funds to pay debts due within a year)? [If yes, please answer the question below. If no, go to question 2.]</p> <p>Y N Has the ratio decreased over the past three years?</p>			
2	<p>Y <input type="checkbox"/></p> <p>N <input type="checkbox"/></p> <p>Has the grantee borrowed money within the last 12 months?</p>			
3	<p>Y <input type="checkbox"/></p> <p>N <input type="checkbox"/></p> <p>Has the amount of cash reported on the balance sheet (per audit report) decreased over the past three years?</p>			
4	<p>Y <input type="checkbox"/></p> <p>N <input type="checkbox"/></p> <p>Have vendor payments been late?</p>			
5	<p>Y <input type="checkbox"/></p> <p>N <input type="checkbox"/></p> <p>Does the most recent audit contain a disclosure (footnote) regarding cash flow status?</p>			

		Documents Reviewed	People Interviewed	Additional Comments
6	Y <input type="checkbox"/>	N		
	Does the most recent audit show any programs with negative operating balances?			
7	Y <input type="checkbox"/>	N		
	Are there large unfunded liabilities (e.g., annual and sick leave accruals, taxes payable, 401(k) payments outstanding; large mortgage or large line-of-credit payments) or recent significant cost increases?			
8	Y <input type="checkbox"/>	N <input type="checkbox"/>		
	Have the grantee and/or delegates provided adequate documentation to demonstrate timely payment of employee benefits (i.e., Federal and state taxes, health and retirement contributions)?			
9	Y <input type="checkbox"/>	N		
	Are the grantee and/or delegate named in pending or recent litigation? Are there pending or current disallowances from any funding source such as USDA, CSBG, or child care? [Obtain this information through interviews with staff.]			
10	Y <input type="checkbox"/>	N		
	Is there any indication the agency may lose one or more major programs and/or funding sources?			

			Documents Reviewed	People Interviewed	Additional Comments
11	Y	N 	Does the Federal tax information reported agree with other financial reports? (Specifically, is the tax information on the IRS 990 in agreement with the audit report?)		
12	Y	N 	[THIS QUESTION APPLIES TO THE GRANTEE ONLY] Does the final SF-269 reconcile with the appropriate quarterly PMS-272 for the same period?		
13	Y 	N	Do bank statements reflect any negative cash balances, overdraft, or finance charges?		
14	Y 	N	Has there been a recent reduction of program staff or services, a shift towards outsourcing, excessive turnover of supervisory staff, or have key personnel quit unexpectedly?		
15	Y	N 	Does the agency maintain a complete and up-to-date list of all employees?		
16	Y	N 	Are separation/termination of employment instances immediately reported to the payroll department?		

			Documents Reviewed	People Interviewed	Additional Comments
17	Y <input type="checkbox"/>	N	Have positions been vacant for a significant period of time (i.e., more than 90 days)?		
18	Y <input type="checkbox"/>	N <input type="checkbox"/>	Are original time records properly prepared and properly approved by supervisors?		
19	Y <input type="checkbox"/>	N <input type="checkbox"/>	Are payroll records regularly compared with the records of the personnel department?		
20	Y <input type="checkbox"/>	N <input type="checkbox"/>	Are there written accounting procedures?		
21	Y <input type="checkbox"/>	N <input type="checkbox"/>	Are there specific procedures for maintaining checks and balances for cash management and other fiscal functions? [To assist in answering this question, consider the questions below.]		
		Y N	Are cash and negotiable securities under lock and key, and is access to them strictly controlled?		

		Documents Reviewed	People Interviewed	Additional Comments
Y	N	Are forms such as blank checks and purchase orders sequentially pre-numbered, physically secured, and is access to them strictly controlled?		
Y	N	Are mechanical check signers and signature plates physically protected, and is access to them strictly controlled?		
Y	N	Is one individual allowed to control all key aspects of a transaction or event?		
Y	N	Are duties assigned systematically to a number of individuals to ensure that effective checks and balances exist?		
Y	N	Does the grantee have internal controls for mail processing, cash receipts, and cash disbursements?		
Y	N	Are all grantee bank statements reconciled on a monthly basis?		

		Documents Reviewed	People Interviewed	Additional Comments
	Y N	Are there safeguards in place for financial data systems in the event of data failure?		
	Y N	Are changes in payroll properly authorized?		
22	Y <input type="checkbox"/>	Are there compliance findings over internal controls in the current audit? [If yes, please answer the question below. If no, go to question 23.]		
	Y N	Have the findings been corrected or is there a corrective action plan in place?		
23	Y <input type="checkbox"/>	Did a review of year-end payments disclose any unusual or irregular items (e.g., large purchases of supplies or equipment or pay out of end-of-year “bonuses”)?		
24	Y <input type="checkbox"/>	Do the grantee and/or delegate agencies have policies and procedures for the use of credit cards (e.g., require documentation for expenditures, regularly monitor expenditures, and impose other clear spending limits)?		

Section II

		Potential Area of Noncompliance (✓)	Documents Reviewed	People Interviewed	Additional Comments
25	Y  N	Have Head Start funds been drawn down in excess of documented cash requirements? [45 CFR Parts 74.22(b)(2), 92.21(c)]	<input type="checkbox"/>		
26	Y  N	Have prior year salaries or other prior year costs been charged to the current budget year? [45 CFR Parts 74.28, 92.23(a)]	<input type="checkbox"/>		
27	Y N 	[THIS QUESTION APPLIES TO THE GRANTEE ONLY] Has the grantee submitted timely and accurate SF-269s and PMS-272s? [45 CFR Parts 1304.51(h)(2), 74.52(a)(1)&(2), 92.41(b)&(c)]	<input type="checkbox"/>		
28	Y  N	Have Head Start funds been used to cover costs normally paid by other funding streams (i.e., interfund borrowing)? [45 CFR Parts 74.27(a), 92.22(a)(1)&(2), 92.22(b)]	<input type="checkbox"/>		
29	Y N 	Does the grantee have a qualified fiscal officer? [45 CFR Part 1304.52(d)(8)]	<input type="checkbox"/>		

			Potential Area of Noncompliance (✓)	Documents Reviewed	People Interviewed	Additional Comments
30	Y <input checked="" type="checkbox"/>	N	<input type="checkbox"/>			
31	Y <input type="checkbox"/>	N <input checked="" type="checkbox"/>	<input type="checkbox"/>			
32	Y <input type="checkbox"/>	N <input checked="" type="checkbox"/>	<input type="checkbox"/>			
33	Y <input type="checkbox"/>	N <input checked="" type="checkbox"/>	<input type="checkbox"/>			
34	Y <input type="checkbox"/>	N <input checked="" type="checkbox"/>	<input type="checkbox"/>			

			Potential Area of Noncompliance (✓)	Documents Reviewed	People Interviewed	Additional Comments
35	Y	N	<input type="checkbox"/>			
		<input checked="" type="checkbox"/>				
36	Y	N	<input type="checkbox"/>			
		<input checked="" type="checkbox"/>				
37	Y	N	<input type="checkbox"/>			
		<input checked="" type="checkbox"/>				
38	Y	N	<input type="checkbox"/>			
	<input checked="" type="checkbox"/>					

		Potential Area of Noncompliance (✓)	Documents Reviewed	People Interviewed	Additional Comments
39	Y <input checked="" type="checkbox"/>	Has there been a failure to disseminate timely and accurate fiscal information to the management staff, governing body, and policy groups? [45 CFR Parts 1304.51 (d)(3), 1304.51(h)(1)]	<input type="checkbox"/>		
40	Y <input type="checkbox"/>	[THIS QUESTION APPLIES TO THE GRANTEE ONLY] Has the grantee implemented procedures for programmatic and fiscal monitoring of its own operations and each of its delegates? [45 CFR Part 1304.51(i)(2)]	<input type="checkbox"/>		
41	Y <input checked="" type="checkbox"/>	Have the grantee and/or delegate agencies made changes to the budget that required prior approval before receiving such approval in writing? [45 CFR Parts 74.25, 92.30] [Select subsection(s) of 45 CFR Parts 74.25 and/or 92.30 that are appropriate to the circumstance.]	<input type="checkbox"/>		
42	Y <input checked="" type="checkbox"/>	Was the last required annual audit not completed and/or not submitted timely and/or unavailable? [OMB Circular A-133 (Subpart B.220), 45 CFR Parts 1301.12(a), 74.53(b), 92.42]	<input type="checkbox"/>		

			Potential Area of Noncompliance (✓)	Documents Reviewed	People Interviewed	Additional Comments
43	Y	N <input type="checkbox"/>	Has the grantee corrected previous audit findings? [OMB Circular A-133 (Subpart C.315, Paragraphs (a) & (b))]	<input type="checkbox"/>		
44	Y	N <input type="checkbox"/>	Has the grantee implemented procedures to determine allowability, allocability, and reasonableness of costs as required? [45 CFR Parts 74.21(b)(6), 92.20(b)(5)]	<input type="checkbox"/>		
45	Y <input type="checkbox"/>	N	[THIS QUESTION APPLIES TO PRIVATE NON-PROFITS ONLY] Does the grantee fail to have the required insurance coverage? [45 CFR Parts 1301.11, 74.31. (Not applicable for grantees subject to Part 92, who are generally self-insured.)] [Select subsection(s) of 45 CFR Part 1301.11 that are appropriate to the circumstance.]	<input type="checkbox"/>		
46	Y	N <input type="checkbox"/>	Does the grantee meet property management standards for nonexpendable personal property, including conducting a physical inventory at least once every 2 years and having all vehicle titles available? [To assist in answering this question, first consider the questions below.] [45 CFR Parts 74.30, 74.33(a)(1), 74.34(f)(1)(ix)(3), 92.31-92.32]	<input type="checkbox"/>		

		Potential Area of Noncompliance (✓)	Documents Reviewed	People Interviewed	Additional Comments
Y	N	Is equipment vulnerable to theft, securely fastened or protected in some other manner?			
Y	N	Are identification plates and numbers affixed to office furniture and fixtures, equipment, and other portable assets?			
47	Y <input type="checkbox"/>	Does the grantee have inadequate supplies or materials or outdated equipment? [45 CFR Part 1304.53(b)(1)]			
48	Y <input type="checkbox"/>	Are costs for development and administration necessary and of benefit to the program, properly allocated and documented, and not in excess of 15% of total costs unless a waiver has been granted? [45 CFR Part 1301.32] [Select subsection(s) of 45 CFR Part 1301.32 that are appropriate to the circumstance.]			

		Potential Area of Noncompliance (✓)	Documents Reviewed	People Interviewed	Additional Comments
49	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>	If the grantee and/or delegate agencies charge indirect costs, are these costs supported by a current negotiated indirect cost rate? [OMB Circulars A-122 (Attachment A, Paragraph E.2.c. & g.), A-87 (Attachment A, Paragraph H), and A-21 (Section G, subpart 11.g.)]	<input type="checkbox"/>		
50	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>	[THIS QUESTION APPLIES TO THE GRANTEE ONLY] Did the use of Federal funds in the grantee's last budget exceed 80% of the total cost without a waiver? [45 CFR Parts 1301.20(a), 1301.21(a)&(b)]	<input type="checkbox"/>		
51	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>	Do the source, use, and accounting of non-Federal funds meet the same requirements as Federal funds, and is the accounting of funds supported by proper source documents? [45 CFR Parts 74.23, 92.24] [Select subsection(s) of 45 CFR Parts 74.23 and/or 92.24 that are appropriate to the circumstance.]	<input type="checkbox"/>		
52	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>	Are any of the procurement transactions conducted in a manner that does not provide for open and free competition? [45 CFR Parts 74.43, 92.36(c)]	<input type="checkbox"/>		

Section III

Potential Area of Noncompliance	Documents Reviewed	People Interviewed	Additional Comments
(✓)			

Place a check in the box under the “Potential Area of Noncompliance” heading if the weight of the evidence you have collected during this review (including the answers to the questions in Sections I and II of the checklist) suggests that the grantee/delegate is not in compliance with the specified requirement:

53 Grantee lacks effective control over and accountability for all grantee and/or delegate funds, property, and other assets. [45 CFR Parts 74.21(b)(3), 92.20(b)(3)]

54 Governing body does not ensure that appropriate internal controls are established and implemented to safeguard funds. [45 CFR Part 1304.50(g)(2)]

Team Member Summary Worksheet

Summary of Results for Fiscal Management

Areas where the program is working well. Provide examples of program strengths or areas where the program exceeds *Performance Standards*:

Areas where the program needs improvement:

Additional areas of concern:
